



Global Environment Facility

Summary of Document GEF/C.30/3

Rules, Procedures and Objective Criteria for Project Selection, Pipeline Management, Approval of Sub-Projects, and Cancellation Policy

Recommended Council Decision

The Council, having reviewed GEF/C.30/3, *Rules, Procedures and Objective Criteria for Project Selection, Pipeline Management, Approval of Sub-projects, and Cancellation Policy*, agrees to the following decisions:

Pipeline management

While developing options(s) for the revised project cycle, to be presented for Council review at its June 2007 meeting, the Secretariat, in collaboration with the GEF agencies, will also develop time-bound benchmarks to be established for monitoring project progress during preparation and implementation. The monitoring of achievements of these benchmarks should be built into the management information system that is under development.

Council requests the Secretariat, to present a revision of the fee system, including provisions for tranching disbursements of fees, for discussion at the June 2007 meeting.

Sub-project approval

The following policies and procedures apply to the approval of sub-projects in larger GEF projects/programs:

- (a) Sub-projects greater than \$3 million: Final sub-project documents to be reviewed by Secretariat and circulated to the Council for a 3-week comment period prior to CEO endorsement.
- (b) Sub-projects greater than \$500,000 and up to \$ 3 million: Final sub-project documents to be reviewed by Secretariat and endorsed by CEO under delegated authority.
- (c) Sub-projects less than \$500,000: To be approved by the Implementing/Executing Agency, following procedures that are agreed as part of the program/project design. Approvals to be reported to the Secretariat on an annual basis.

PDFs for sub-projects. PDF requests for preparation of sub-projects be reviewed by the Secretariat and approved by the CEO out of resources approved by the Council for the larger project/program.

Project Cancellations, Terminations/Suspensions

At any stage of the project cycle, the country, the Implementing/Executing Agency, or the Secretariat may recommend cancelling/terminating/suspending a project.

Cancellation of Project Proposals during Preparation (prior to formal approval by the GEF agency)

Prior to formal approval of a project by a GEF agency, the GEF Secretariat can cancel a project proposal in the pipeline after consultation with the country concerned and the Implementing/Executing Agency. Countries and Implementing/Executing Agencies may also recommend cancellation of project proposals to the Secretariat. The CEO is responsible for the decision to cancel a project proposal.

If a proposal is cancelled prior to Council approval/CEO approval, it is removed from the pipeline, and the Secretariat will inform the country and the Implementing/Executing Agency concerned, and the Trustee if any PDF has been approved for the proposal. The Implementing/Executing Agency will follow Trustee's rules and procedures regarding PDFs. If a proposal is cancelled after Council approval/CEO approval, but before formal approval by the GEF agency, the agency will: (i) inform the country concerned; (ii) submit an official cancellation notification to the GEF Trustee, copied to the Secretariat; and (iii) follow Trustee's rules and procedures for cancellations.

Termination/Suspension of Projects during Implementation (after formal approval by the GEF agency)

The GEF Secretariat can recommend termination/suspension of a project, following a letter to the country's GEF operational focal point with the reasons for the recommended termination/suspension. The Secretariat will request the Implementing/Executing Agency to consult with the country concerned to initiate termination/suspension. Countries and Implementing/Executing Agencies may also initiate termination/suspension of projects and will consult with the GEF Secretariat before termination/suspension decisions are finalized. The Implementing/Executing Agency will ensure that appropriate consultations are carried out with all the relevant government agencies that are involved in project preparation and/or implementation, and other partners, including co-financiers. The Implementing/Executing Agency will make the final decision on termination/suspension, and will: (i) send an official termination notice to the government; (ii) submit an official notification of termination to the GEF Trustee, copied to the Secretariat; and (iii) follow Trustee's rules and procedures for terminations.

EXECUTIVE SUMMARY

One of the policy recommendations from the negotiations associated with the Fourth Replenishment of the GEF Trust Fund, requests the Secretariat to develop "clear rules, procedures and objective criteria for project selection and management of the pipeline, including

a policy for cancellation of projects.” At the August 28, 2006 Council meeting, the Council requested the Secretariat for its consideration at the December 2006 meeting a policy paper clarifying the procedures to be followed for the approval of sub-projects developed under larger programs and umbrella projects approved by the Council.

The GEF Evaluation Office recently concluded a thorough investigation of the project cycle that commends that the GEF project cycle be radically redrawn, while maintaining the quality and attributes for GEF funding. The Secretariat, in collaboration with the Implementing and Executing Agencies will work in the coming months to develop a fully revised project cycle that will be presented for Council consideration and approval at the June 2007 meeting. In the interim, this paper proposes: (i) steps to manage the project pipeline and criteria for project selection; (ii) policies and procedures for approval of sub-projects under larger projects/programs; and (iii) policies and procedures for cancellation and termination/suspension of projects.

Pipeline Management

The revised project cycle will include time-bound procedures for pipeline management that will aim for a proposal to advance from concept identification to implementation in less than 22 months. A time-bound benchmark will also be established for projects to progress from initiation of implementation to completion. In addition, clear intermediate time-bound benchmarks will be established for progress of proposals between key milestones in both the preparation and implementation phases of the project cycle. Proposals not meeting benchmarks during the preparation phase will be cancelled. Projects under implementation not meeting the benchmarks or other performance measures will be terminated. Reporting on the benchmarks will be built into the GEF management information system so that information will be automatically provided to different levels of management, up to the CEO, if a project does not meet a benchmark. In rare cases, and on a trial basis, the CEO may grant an exception to the 22 month limit for complex, multi-country projects, based on an appeal and explanation of circumstances.

Under current policy, fees are paid to GEF agencies, when a full-sized project proposal is approved by the Council as part of a work program, or a medium-sized project is approved by the CEO, or when an enabling activity is approved by the CEO. To help manage and enforce the project cycle management system, it is proposed to disburse fees over the life of a project. Fees will be tranching and disbursed to agencies on the basis of progress in project preparation and implementation. The Secretariat will propose to the Council a comprehensive revision of the fee system, including tranching disbursements, at the June 2007 meeting.

Approval of Sub-projects

It is proposed that sub-projects be defined as those projects that are uniquely identified within the Implementing/Executing Agency based on agreed criteria to achieve the objectives of partnership/portfolio frameworks such as Investment Funds, Country Partnership Programs, Umbrella projects. Sub-projects are usually subject to all the current approval policies and procedures associated with individual GEF projects within the GEF agency. The following policies and procedures are proposed for approval of sub-projects in larger GEF projects/programs:

- (a) Sub-projects greater than \$3 million: Final sub-project documents to be reviewed by Secretariat and circulated to the Council for a 3-week comment period prior to CEO endorsement.
- (b) Sub-projects greater than \$500,000 and up to \$ 3 million: Final sub-project documents to be reviewed by Secretariat and endorsed by CEO under delegated authority.
- (c) Sub-projects less than \$500,000: To be approved by the Implementing/Executing Agency, following procedures that are agreed as part of the program/project design. Approvals to be reported to the Secretariat on an annual basis.

PDFs for sub-projects. It is also proposed that any PDF requests for preparation of sub-projects be reviewed by the Secretariat and approved by the CEO out of resources approved by the Council for the larger project/program.

Project Cancellations, Terminations/Suspensions

The lead responsibility for country dialogue on GEF strategic programming is with the GEF Secretariat. Once the Secretariat and the country have agreed on the country's strategic programming framework, the country will work with an agreed Implementing/Executing Agency (matched on the basis of its comparative advantage) to develop project proposals. Decision-making on cancelling project proposals or terminating/suspending projects is a responsibility shared between the country, the Implementing/Executing Agency, and the GEF Secretariat in accordance with the following policies and procedures.

At any stage of the project cycle, the country, the Implementing/Executing Agency, or the Secretariat may recommend cancelling/terminating/suspending a project for several reasons, including changes in national priorities, poor implementation performance leading to a conclusion that the project can no longer meet its objectives, or not meeting established pipeline management elapsed time benchmarks.

Cancellation of Project Proposals during Preparation (prior to formal approval by the GEF agency)

Prior to formal approval of a project by a GEF agency, the GEF Secretariat can cancel a project proposal in the pipeline after consultation with the country concerned and the Implementing/Executing Agency. Countries and Implementing/Executing Agencies may also recommend cancellation of project proposals to the Secretariat. The CEO is responsible for the decision to cancel a project proposal.

If a proposal is cancelled prior to Council approval/CEO approval, it is removed from the pipeline, and the Secretariat will inform the country and the Implementing/Executing Agency concerned, and the Trustee if any PDF has been approved for the proposal. The Implementing/Executing Agency will follow Trustee's rules and procedures regarding PDFs. If a proposal is cancelled after Council approval/CEO approval, but before formal approval by the GEF agency, the agency will: (i) inform the country concerned; (ii) submit an official cancellation notification to the GEF Trustee, copied to the Secretariat; and (iii) follow Trustee's rules and procedures for cancellations.

Termination/Suspension of Projects during Implementation (after formal approval by the GEF agency)

Based on the Instrument and the roles and responsibilities of GEF entities, the decision to terminate/suspend a project during implementation is the responsibility of the Implementing/Executing Agency. Within this context, the following termination/suspension policy is proposed.

The GEF Secretariat can recommend termination/suspension of a project, following a letter to the country's GEF operational focal point with the reasons for the recommended termination/suspension. The Secretariat will request the Implementing/Executing Agency to consult with the country concerned to initiate termination/suspension. Countries and Implementing/Executing Agencies may also initiate termination/suspension of projects and will consult with the GEF Secretariat before termination/suspension decisions are finalized. The Implementing/Executing Agency will ensure that appropriate consultations are carried out with all the relevant government agencies that are involved in project preparation and/or implementation, and other partners, including co-financiers. The Implementing/Executing Agency will make the final decision on termination/suspension, and will: (i) send an official termination notice to the government; (ii) submit an official notification of termination to the GEF Trustee, copied to the Secretariat; and (iii) follow Trustee's rules and procedures for terminations.